GrummanWorld
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A Letter From John O'Brien To Grumman People

Fellow Grummanites,

Seven weeks ago, I told you that we would have to reduce our work force by 3,100 people in 1989. Of that number, I said that 1,800 would be laid off by the end of January.

As of today, that layoff is over. With only a few exceptions, the people who are to be let go have already been notified; most of them are already gone. As I told you in December, the numbers for the January layoff were based on the assumption that the A-6 and EA-6B would survive in some form in the 1990 budget, which goes into effect in October 1989. Although the EA-6B is not in that budget, its future seems reasonably secure. The A-6 is not in the 1990 budget. That is a source of grave concern, but the fight isn't over yet. If we lose the fight, additional layoffs will be necessary.

It has been a long and difficult seven weeks. Losing your job is one of life's most painful experiences. We are providing severance benefits, counseling, and help with finding a new job — but the trauma of having to hand in your badge and rearrange your life cannot be denied.

It has been difficult for the people who had to make the tough decisions, and it has been hard for everyone who had to say goodbye to a friend or co-worker.

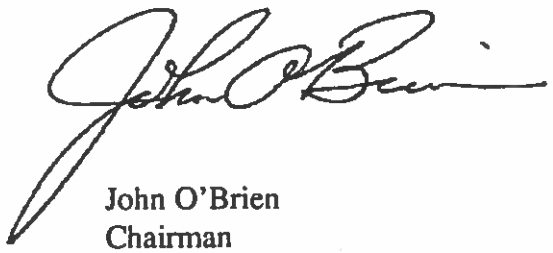
Now we have to put these unhappy weeks behind us, and get on with the job of making Grumman stronger and healthier. It's not going to be easy, because our entire industry is facing tough times. The defense budget is flat, and the loss of our A-6G program was a real blow.

Nevertheless, I believe that we are well positioned for the years ahead, and that we have the right product mix to deal with flat or declining budgets. Faced with a huge deficit, the new administration will have to stretch out the new aircraft development programs. That will increase the demand for the A-6 and the Tomcat-21 as competent, less expensive alternatives.

In addition, we have other important new programs to build on: Joint STARS, IFTE, BSTS, and some significant new contracts in Data Systems. We're working on the Air Force's Air Defense Initiative program. We're entering the competition to build the next Air Force trainer aircraft. We intend to play a major role in a future Navy program, the Advanced Tactical Support Aircraft. These will be exciting, challenging programs that will demand all our talent, ingenuity, experience and enthusiasm.

Grumman people have been through hard times before, and I believe we can turn this one around. We have ideas to turn into study contracts, development contracts to turn into production programs, and technologies to turn into dollars. We need faith in ourselves, confidence in each other, and the determination to build a better future for our company.

The layoff is over. Let's do everything we can so that we don't have to go through this again. It's up to all of us — you, me, every person in this company — to make Grumman the kind of place we know it can be.



John O'Brien
Chairman